Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Local Exchange Carriers' Rates,	)	
Terms and Conditions for Expanded	)	CC Docket No. 93-162
Interconnection for Special Access	)	
	)	
U S WEST Communications, Inc.	)	Transmittal Nos. 331,
Revisions to Tariff F.C.C. No. 1	)	338, 362, 368, and 383

U S WEST COMMUNICATIONS, INC. DIRECT CASE

Kathryn Marie Krause
1020 19th Street, N.W.
Suite 700
Washington, D.C. 20036
(303) 672-2859

Attorney for
U S WEST COMMUNICATIONS, INC.

Of Counsel,
Laurie J. Bennett

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I. INTRODUCTION AND SUMMARY

U S WEST Communications, Inc. ("U S WEST") herein responds to the Common Carrier Bureau's ("Bureau") questions as posed in its Investigation Order, released July 23, 1993.[1] U S WEST is confident that the information we provide herein is reasonable. It should satisfy the concerns of the Bureau, and the Bureau should permit U S WEST's Expanded Interconnection ("EIC") rates, terms and conditions to remain in effect as promulgated by U S WEST.

In reviewing the matters of Bureau inquiry, U S WEST was struck by the fact that certain information, already proffered by U S WEST,[2] was being asked for again. Believing that we have

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[1]See In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, Order Designating Issues for Investigation, DA 93-951, July 23, 1993 ("Investigation Order" or "Order").

[2]The information at issue was provided in U S WEST's "Reply to Petitions to Reject, Suspend and/or Investigate," Trans. No. 331, U S WEST Communications, Inc. Revisions to Tariff F.C.C. No. 1, filed Apr. 5, 1993 ("U S WEST Reply").

already provided fairly detailed, reasonable explanations for our EIC tariff provisions, we reiterate our position and arguments in those cases where it is appropriate.

An additional observation: The Bureau's approach to EIC continues to be logically flawed and internally inconsistent. In certain circumstances, the Bureau expresses concern about local exchange carrier ("LEC") provisions that resemble provisions found in commercial lease arrangements.[3] Yet, in other circumstances, it appears to give credence to objections that LEC's real estate pricing arrangements are not strictly structured or modeled on "commercial rents."[4]

The Bureau cannot have it both ways. Especially if the pricing of EIC is to emulate "commercial rents," then the terms and conditions associated with such rents are clearly reasonable to include as part of the business relationship.

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[3]See Investigation Order at 28-38 ¶¶ 48 - 66.

[4]See id. at 4 nn. 9, 20; 7 ¶ 15; 12-13 ¶ (f)(2). The Bureau cites to objections of Teleport Denver, Ltd. ("TDL") that U S WEST charges market rates for space rental but also charges separately for nonrecurring expenses such as quotation preparation and tenant improvements, which rate elements TDL contends commercial rents usually recover. Id. at 4 n.9. The Bureau also refers to MFS Communications Company, Inc.'s ("MFS") assertion that U S WEST's monthly recurring charge for maintenance results in double recovery because ongoing maintenance costs are recovered in the charges collocators pay for rental of central office space and use of power. Id. at 4 n. 20.

As a result of the Federal Communications Commission's ("Commission") Expanded Interconnection Orders,[5] the LECs are now in the real estate rental business. General tariff terms and conditions that emulate that model are, therefore, inherently reasonable.

The pricing of such occupation, however, should be expected to be different than that generally utilized by commercial landlords, because the kind of "bundling" done with regard to lease rentals does not comport with the Commission's general policy regarding "unbundled" rate elements/pricing structures. "Commercial rents" need not (and do not) conform to the detailed (and often market-cumbersome) costing or pricing rules of a regulatory oversight body.

Below, for the Bureau's convenience, U S WEST's instant filing tracks, virtually verbatim, the questions asked by the Bureau in the order in which they were asked.

II. RESPONSES TO ISSUES DESIGNATED FOR INVESTIGATION

A. "Are the rate levels established in the LECs' physical and virtual expanded interconnection tariffs excessive?"[6]

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[5]See In the Matter of Expanded Interconnection with Local Telephone Company Facilities, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd. 7369 (1992) ("Expanded Interconnection Order"), appeals pending sub nom. Bell Atlantic Tel. Cos., et al. v. F.C.C., Nos. 92-1619, et al. (D.C. Cir. Nov. 25, 1992), Memorandum Opinion and Order modified, 8 FCC Rcd. 127 (1992) ("Modified Order").

[6]Investigation Order at 3 ¶ 4.

In response to certain objections by potential purchasers of EIC service, the Bureau asks that the LECs provide certain information.

1. General Support Requirements

a. Tariff Review Plan ("TRP")[7]

> "LECs must provide certain cost support data in a uniform format, as specified in the Tariff Review Plan (TRP) in Appendix C of this Order. The data include disaggregated unit investments and expenses for the most important recurring and nonrecurring expanded interconnection rate elements."[8]

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[7] See id. at 7 ¶ 13, Item (a).

[8] Id. at 7 ¶ 14. The TRP disaggregates expanded interconnection service into the following broad categories or "functions": (1) Entrance Facility Installation Function; (2) Entrance Facility Space Function; (3) Common Construction Function; (4) Construction Provisioning Function; (5) Interconnector-Specific Construction Function; (6) Floor Space Function; (7) Termination Equipment Function; (8) Direct Current (DC) Power Installation Function; (9) DC Power Generation Function; (10) Cross-Connection Provisioning Function; (11) Cross-Connection Cable and Cable Support Function; (12) Cross-Connection Equipment Function; (13) Security Installation Function; and (14) Active Security Function. The TRP includes separate charts for each function. Id. at 7-8 ¶ 15.

For TRP purposes, each LEC is required to categorize its rate elements into the above functions. Depending on the rate structure chosen by an individual company, a particular function may include several rate elements. Each rate element must be displayed individually in the TRP chart for the relevant function. Id. at 8 ¶ 16.

A rate element may include costs for more than one function. In such an instance, the LEC must partition the costs among the relevant functions, derive illustrative rates based on those partitioned costs, and display the partitioned costs and illustrative rates on the relevant TRP pages. The unit costs and illustrative rates for partitioned rate elements must be calculated using the same unit of measurement (e.g., feet, fuse

(continued...)

U S WEST herein provides the information requested by the Bureau at pages 6-10 of the Investigation Order, in the format requested.[9] The hard copy response is attached as Appendix A.

b. Itemized Cost Information[10]

In addition to the formatted information provided in the TRP, the Bureau requests further analyses, descriptions and/or justifications, with regard to particular items associated with the costs of providing EIC service and U S WEST's proposed rates.[11] Below, U S WEST provides the requested information.

As a general introductory matter, however, U S WEST reasserts its position that none of the petitioners demonstrated any noncompliance by U S WEST with the Commission's rules, nor did they really try to. Unable to point to any Commission rule that may have been violated by U S WEST, or any generally-

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[8](...continued)
amps, circuit orders, collocation requests) as the filed, unpartitioned rate element. Further, the sum of the partitioned unit costs must equal the unit cost of the filed, unpartitioned rate element, and the sum of the illustrative partitioned rates must equal the rate for the filed, unpartitioned rate element. Id. at 9 ¶ 17.

"Each LEC should append a chart to its TRP which lists each rate element that is partitioned and demonstrates that the sum of the unit costs and rates of the partitioned parts equals the unit cost and rate, respectively, of the unpartitioned rate." Id. at 9 ¶ 18. This Chart is appended to this filing as Appendix B.

[9]Id. at 10 ¶ 22. The TRP should be provided in both hard copy and in LOTUS 1-2-3 computer format.

[10]Id. at 10, Item (b).

[11]See id. at 10-14.

accepted filing procedure, petitioners latched onto arguments that were, at best, irrelevant -- and remain so.

In our EIC Tariff filing, U S WEST complied with all relevant Commission rules and provided the same level of cost support that we provide with any other tariff filing.[12] While the Bureau, apparently, believes it needs further explanation, the material already provided by U S WEST is (and was), as a matter of Commission rule and practice, sufficient to its purposes. Any attempt by the Bureau to now claim that such information was inadequate for it to determine the reasonableness of U S WEST's rates might well be deemed, depending on the outcome, arbitrary and capricious.

> (1) "In order to evaluate the reasonableness of the investments, expenses, and taxes listed in each TRP chart, LECs must provide documentation for all listed items. Documentation should include a complete explanation of how the costs for each item were derived, including relevant worksheets and source listings. In addition, any cost factors (e.g., "annual charge factors" or "carrying charge factors") should be fully explained and justified."[13]

With respect to the appended TRP charts, the following information provides an explanation of how the costs for each item were derived.

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[12]U S WEST's investment detail, for example, was stated in our Description and Justification at pp. 2-2 and 2-3, and the associated appended workpapers. Those workpapers are the same type/kind U S WEST provides for all new services filed with the Commission, under the price cap rules.

[13]Investigation Order at 10, Item (b)(1).

LINE 1 provides the total investment identified per rate element.[14] The total installed investment represents the cost of the material, labor and engineering to install the investment and miscellaneous loadings. The Part 32 account code and investment name is stated on lines 2-20, along with the depreciable life associated with the Part 32 account code.

The annual charge factors are applied to the investment to recover the appropriate annual capital costs and operating expenses associated with the investment. Various criteria are considered when calculating capital costs: e.g., incremental cost of capital rate, debt ratio, debt interest rate, discount rate, and the composite state and federal income tax rate. More specifically, each plant account has its own survivor characteristics, average life, tax life, and gross salvage and cost of removal rates.

When these criteria are considered together, a series of values relating to the capital cost of an investment is produced. The generated capital cost values are annual costs, and recur over a period of more than one year. Therefore, these values equal the minimum revenue that must be generated from the investment each year to repay the original cost of the asset plus related expenses.

A brief explanation of the capital costs and operating cost elements follows:

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[14]The investment information was obtained from U S WEST's Network Engineering subject matter experts.

LINE 21. DEPRECIATION EXPENSE -- Two types of depreciation are involved in the determination of recurring capital costs: book depreciation and tax depreciation. Book depreciation is the repayment of invested capital and is a direct component of capital costs. Tax depreciation, on the other hand, is not a component of capital cost, but is a schedule of expense deductions used in determining income tax expense. Both depreciation amounts must be separately calculated because, most likely, they will differ in timing and amount.

Book depreciation amounts are determined by: (1) total investment, less net salvage, in assets; and (2) estimated life characteristics. The life characteristics are projected life and survivor-curve shapes that are anticipated at U S WEST.

Several methods are available to calculate book depreciation. At U S WEST, the straight-line equal-life group ("ELG") method is applied. For service cost studies, ELG allows the depreciation
amounts per unit to be "deaveraged" within each vintage of a category.

Tax depreciation affects income taxes. Tax depreciation is calculated separately from book depreciation because amounts and timing will differ from book depreciation. For example, income tax regulations permit using accelerated tax depreciation on most new investments. With accelerated tax depreciation, tax deduction amounts are claimed in greater amounts during the earlier years of an asset's life than during the later years.

To summarize, book depreciation repays capital and is a component cost; whereas tax depreciation determines the expense deduction used in determining income tax liability.

LINE 22. COST OF MONEY (RETURN) -- Although invested capital can be repaid in various ways over its life, the capital repayment required will always be the same. However, the cost for the use of this capital varies directly with the time it takes to pay it back.[15]

The incremental cost of capital is then used to calculate a schedule of equal payments made over time to repay both capitalized amounts and a return amount to the investor. Even though each payment is the same, the apportionment between repayment of invested capital and return to the investor changes. The share representing invested capital repaid increases with each payment. Therefore, return to the investor decreases with each payment.[16]

The amount of money representing the return to the investor is called Post Tax Income. The title "post tax income" is somewhat of a misnomer, however, since only return on equity is truly post tax income. Return on debt is applied as a reduction

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[15]An analogous situation for individuals would be the interest costs on the remaining balance of a home mortgage, which depend on the length of the mortgage. For example, more total interest is paid on a 30-year mortgage than on a mortgage lasting 25 years.

[16]For example,the principle portion of a home mortgage monthly payment increases each month, and the interest portion declines, even though the total monthly payment remains the same.

to revenue, thereby reducing taxable income used to compute income tax expense.

LINE 24. FEDERAL AND STATE INCOME TAX -- Along with capital repayment and return, income taxes are incurred on the return required for the equity portion of the capital. Income taxes are involved because federal and state tax regulations provide for taxing remaining income after payment of operations costs and other deductible amounts.

LINES 26 - 34 represent OPERATING COSTS -- Operating costs are covered through the use of factors which, when applied to investment or expense, produce the annual costs associated with maintenance, ad valorem taxes, administrative expenses and business fees. Maintenance costs recover expenses incurred in performing preventative and repair maintenance for the new service. Ad valorem taxes are state taxes applied at the investment level. Administrative expenses include the costs associated with the line and staff operation which support the new service. Business fees include state franchise taxes, municipal license fees, occupation taxes and gross receipts taxes.

The following chart provides the general part 32 Account Category the operating expenses are associated with:

Expenses	Part 32 Account Categories
Maintenance	Plant Specific Operations
Ad Valorem Taxes	Operating Tax Account
Administrative	Plant Specific Operations
Business Fees	Operating Tax Account

The expenses listed above reflect the amounts identified in the study. Maintenance and ad valorem expenses are calculated by multiplying total unit investment times the factor for each. Administrative and business fees are multiplied times the total of capital costs, maintenance, ad valorem, and other direct expenses.

LINES 35 - 50 are ITEMIZATIONS FOR ALLOCATIONS -- for administrative and other expense dollars.

In calculating the real estate rate elements, U S WEST did not apply capital recovery to the investment as displayed on the TRP charts. Rather, U S WEST chose to recover these costs as a one-time charge. The following documentation provides further cost detail to support U S WEST's method for developing these real estate costs.

Common Construction Function, Nonrecurring Rate Elements 1 - 16 are construction estimates based on U S WEST historical unit costs for an alternating current ("AC") 120/208 volt electrical panel and feed to the proposed cage; and hard-wall enclosures with and without redundant air-conditioning. One panel and feed serves three cage enclosures.

The cost identified in each rate element is the total cost of the panel and feed for the respective enclosure divided by three. The construction cost consists of the materials and labor to install the panel and feed wiring, a construction contingency percentage of 20% to account for unknown barriers and obstacles that require additional labor and materials, an Americans With

Disabilities Act ("ADA") construction provision as a percentage (20%) of the construction cost, and professional engineering consulting services as a percent (15%) of all construction costs.

In the following example, "RE" stands for Rate Elements:

RE 1, 2, 5:	Feeder and panel; $3,000.00/3	= $1.000.00
RE 9, 10, 13:	Construction contingency 20%	= 200.00
	ADA requirements 20%	= 240.00
	Engineering Consultant 15%	= 216.00
	Total	= $1,656.00
	Rounded to	= $1,660.00
RE 3, 4, 6:	Feeder and panel; $4,500.00/3	= $1,500.00
RE 11, 12, 14:	Construction contingency 20%	= 300.00
	ADA requirements 20%	= 360.00
	Engineering Consultant 15%	= 324.00
	Total	= $2,484.00
	Rounded to	= $2,480.00
RE 7 and 15:	Feeder and panel; $6,000.00/3	= $2,000.00
	Construction contingency 20%	= 400.00
	ADA requirements 20%	= 480.00
	Engineering Consultant 15%	= 432.00
	Total	= $3,312.00
	Rounded to	= $3,310.00
RE 8 and 16:	Feeder and panel; $7,500.00/3	= $2,500.00
	Construction contingency 20%	= 500.00
	ADA requirements 20%	= 600.00
	Engineering Consultant 15%	= 540.00
	Total	= $4,140.00
	Rounded to	= $4,140.00

Construction Provisioning Function, Nonrecurring Rate

Elements 1 - 16 consists of U S WEST Project Management's costs based on 1993 loaded rates for a Construction Management Project Engineer at $95.64 per hour.

Wages = $36.65

Benefits = $13.54

Other = $11.00

Property related overhead cost (using assets, motor vehicles, furniture, buildings, office supplies, computer) = $21.37

Corporation overhead cost = $13.08

Total Hourly rate for Project Management = $95.64

The following represents the Project Management labor cost to manage the physical improvement construction.

Rate Element #	Hourly rate times Hours = Proj Mgt cost (rounded)
1	95.64 x 18.2 = $1,740
2	95.64 x 19.97 = $1,910
3	95.64 x 26.66 = $2,550
4	95.64 x 27.70 = $2,650
5	95.64 x 27.70 = $2,650
6	95.64 x 30.37 = $2,905
7	95.64 x 41.40 = $3,960
8	95.64 x 43.23 = $4,135
9	95.64 x 25.51 = $2,440
10	95.64 x 30.63 = $2,930
11	95.64 x 38.58 = $3,690
12	95.64 x 41.71 = $3,990
13	95.64 x 35.02 = $3,350
14	95.64 x 41.03 = $3,925
15	95.64 x 53.32 = $5,100
16	95.64 x 57.29 = $5,480
17	95.64 x 4.18 = $ 400

Interconnector-Specific Construction Function, Nonrecurring Rate Elements 1 - 16 are all construction costs (excluding Common Construction Function costs) for the cage and hard-wall enclosures with and without redundant air conditioning. The cage enclosure includes three electrical receptacles, two watts per square foot of lighting; a heating, ventilation, air conditioning ("HVAC" or "hvac") unit (redundant cooling unit is an option); a

fire detection system; and a door lock set with a private key. The hard-wall enclosure includes everything for the cage enclosure. A humidification system is available, as an option.

Rate Element #	1	2	3	4
Cage without redundant air condition				
Enclosure ($)	100sqft	200sqft	300sqft	400sqft
fence w/o supports				
gate				
lock set				
cable holes				
Total	2310	2940	3405	3570
Electrical ($)				
power hvac				
electrical recept.				
lighting fixtures				
Total	1200	1600	2500	2900
Mechanical ($)				
hvac unit				
louvers/duct				
Total	6000	6000	8000	8000
TOTAL CONSTRUCTION	9510	10540	13905	14470
contingency 20%	1900	2105	2781	2894
ADA 20%	2280	2526	3337	3473
consultant 15%	2050	2275	3001	3126
TOTAL COST	15740	17446	23024	23963

Rate Element #	5	6	7	8

Cage with redundant air condition

Enclosure ($)	100sqft	200sqft	300sqft	400sqft
fence w/o supports				
gate				
lock set				
cable holes				
Total	2310	2940	3405	3570
Electrical ($)				
power hvac				
electrical recept.				
lighting fixtures				
Total	1700	2100	3500	3900
Mechanical ($)				
hvac unit				
louvers/duct				
Total	11000	11000	15000	15000
Total Construction	15010	16040	21905	22470
contingency 20%	3000	3205	4400	4500
ADA 20%	3600	3850	5255	5388
consultant 15%	3236	3462	4725	4850
TOTAL COST	24846	26557	36264	37198

Rate Element #	9	10	11	12
Hard-wall without redundant air condition				
Enclosure ($)	100sqft	200sqft	300sqft	400sqft
install/remove dust wall				
install drywall w/studs				
paint w/rubber base				
door/frame/lock set				
cable holes				
Total	6140	8510	9695	10880
Electrical ($)				
power hvac/recept/lights				
fire detection				
Total	1600	2200	3100	3700
Mechanical ($)				
hvac unit				
louvers/duct				
Total	6000	6000	8000	8000
Total Construction	13740	16710	20795	22580
contingency 20%	2745	3340	4157	4513
ADA 20%	3294	4007	4990	5415
consultant 15%	2964	3605	4490	4875
TOTAL COST	22743	27662	34432	37383

Rate Element #	13	14	15	16
	Hard-wall with redundant air condition			
Enclosure ($)	100sqft	200sqft	300sqft	400sqft
install/remove dust wall install drywall w/studs paint w/rubber base door/frame/lock set cable holes				
Total	6140	8510	9695	10880
Electrical ($)				
power hvac/recept/lights fire detection				
Total	2100	2700	4100	4700
Mechanical ($)				
hvac unit louvers/duct				
Total	11000	11000	15000	15000
Total Construction	19240	22210	28795	30580
contingency 20%	3845	4440	5756	6110
ADA 20%	4615	5330	6905	7333
consultant 15%	4150	4794	6215	6600
TOTAL COST	31850	36774	47671	50623

Interconnector-Specific Construction Function, Nonrecurring

Rate Element 17 is the construction cost for the labor, materials, and equipment to install a humidification system. This rate element reflects optional humidification that an interconnector can purchase, provided the interconnector has selected a hard-wall enclosure. Humidification may be selected as an option with and without redundant air conditioning.

Rate Element # 17

Humidification ($)

materials	2340
labor	1260
TOTAL COST	3600

This cost does not include Common Construction Function, Nonrecurring Rate construction cost.

Floor Space Function, Recurring Rate Elements 1 - 14 are monthly charges for electrical power to air condition the interconnectors' -48 volt equipment that is served with DC power from a U S WEST DC power plant.

Each state within the U S WEST 14 state service area has a unique rate element that is based upon the major utilities price's per kilowatt-hour of electrical power usage for central office locations. This average rate per state is then used to calculate the power to air condition the interconnector's equipment on a dollar per-amp, per-year basis.

U S WEST is not double recovering for the cost of power to the interconnector. The costs for common heat loads, such as solar and outside weather conditions, are included in the base rent cost. However, when an interconnector adds equipment heat loads to an existing U S WEST central office, U S WEST must add incremental air conditioning capacity. This added capacity adds an incremental cost only for the interconnectors' equipment heat generation. The power costs for the interconnectors' incremental equipment are identified in the following tables.

TABLE A

State	Utility cost ($/kwh)	Telecom hvac rate ($/amp/yr)
Arizona	0.0967	30.40
Colorado	0.0573	18.02
Iowa	0.0614	19.31
Idaho	0.0540	16.98
Minnesota	0.0628	19.75
Montana	0.0441	13.87
North Dakota	0.0606	19.05
Nebraska	0.0667	20.97
New Mexico	0.0745	23.42
Oregon	0.0438	13.77
South Dakota	0.0706	22.20
Utah	0.0564	17.73
Washington	0.0375	11.76
Wyoming	0.0469	14.75

The telecommunications hvac cost per amp per year ($/amp/yr) are the rate elements listed in the TRP sheets for elements 1 through 14. They are calculated using the following equation:

$$\$/amp/yr = [(3.41/12,000)] \times 2.23 \times 8760 \times 1.18 \times 48 \times (\$/kwh)$$

where;
- 3.41 = BTUs per watt
- 12,000 = BTUs per ton of air conditioning
- 2.23 = average efficiency for hvac unit expected
- 8760 = hours per year (24 hours x 365 days per year)
- 1.18 = DC rectifier efficiency factor
- 48 = voltage of the DC power

Example: $/amp/yr for Arizona = 314.42 x 0.0967 $/kwh
= $30.40 per amp per year

The dollars per amp per year for each state is displayed on the Floor Space Function, TRP charts.

Floor Space Function Recurring Rate Element 15 is Humidification per leased physical space. This amount of $400.00 per leased physical space per year applies to any space regardless of size. This amount is based on estimated

incremental cost for maintaining humidification systems that are added to the interconnectors' space.

Labor = $ 11.66
Operating cost = $ 21.67
Total Monthly Humidification cost = $ 33.33
Annual Cost (x 12) = $400.00

Floor Space Function Recurring Rate Element 16 is Maintenance per leased physical space. This rate element represents the incremental monthly cost for maintaining hvac equipment that is added to the interconnectors' space to air condition the interconnectors' equipment heat load.

Preventative Maintenance	= $ 39.71
Repair	= $ 59.56
Miscellaneous Supplies	= $ 34.06
Total Monthly Maintenance Cost	= $ 133.33
Annual Maintenance Cost (x 12)	= $1600.00

Floor Space Function Recurring Rate Elements 17, 18, and 19 are Base Rent Areas 1, 2, and 3. Base rent is the market value in dollars per square foot per year ($/sf/yr) for renting central office space. Base rent consists of three items: 1) Space Market Value (which does not include property tax or operating costs); 2) Property tax; and 3) Operating costs.

The three different values for the Space Market Value portion (shown below) of base rent areas 1, 2 and 3 represent what the commercial real estate industry respectively calls primary, secondary, and tertiary markets. These market areas were used by U S WEST to determine rates that are fair and

reasonable to both potential interconnectors and U S WEST for renting floor space in a central office.

U S WEST chose the following prices based on pricing information from two real estate brokerage firms and considers this pricing methodology to be reasonable.[17]

SPACE MARKET VALUES

Primary Markets	= $ 39.00/sf/yr
Secondary Markets	= $ 31.00/sf/yr
Tertiary Markets	= $ 20.00/sf/yr

Item 1 of the base rent[18] = Space market value x 1.17

Where: Space market values are noted above.

1.17 = U S WEST rentable to usable space ratio. Accounts for entryway, hallways, corridors and stairs that are used as ingress/egress space to access the vicinity of interconnector's buildout enclosure that are common to the total building.

The Floor Space Function Recurring Rate Elements 17, 18 and 19 are as follows:

For Market area 1; Space market value is $39.00 x 1.17 = $ 45.63
For Market area 2; Space market value is $31.00 x 1.17 = $ 36.27
For Market area 3; Space market value is $20.00 x 1.17 = $ 23.40

The U S WEST 14 state property tax (Item 2 of Base Rate) rate (line 27 on TRP sheets) of $ 1.43 per square foot per year

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[17]For a description of the process used, see pages 46-48, infra.

[18]This does not include property tax or operating cost.

($/sf/yr) was calculated by using the property tax rate for each state, calculating a weighted average based on the central office rentable area in that state, and using the corresponding U S WEST book value of central office space for each state. The formula for the 14 state property tax rate in dollars per square foot per year ($/sf/yr) is as follows:

Property tax rate ($/sf/yr) = {[State property tax rate ($/$ investment) x state book value]/(state rentable area)} x 1.4 x 1.17

where: State property tax, state book value, and state rentable area are taken from U S WEST records and are listed by state in TABLE B.

1.17 = U S WEST rentable to usable space ratio.

1.40 = U S WEST factor to include adjacent or local space to gain access to the interconnector's enclosure. Accounts for hallways, corridors, and other usable space not common to the building that was created as a result of the interconnector's enclosure.

The terms "rentable space" and "usable space" are definitions taken from American National Standards Institute ANSI Z65.1-1980, Method for Measuring Floor Space in Office Buildings. Rentable central office space means the total space assigned to U S WEST and does not refer to space that is available for rent, lease, or space that has been allocated for expanded interconnection collocation.

Tariff rates are based on usable area and not rentable area.

TABLE B

State	property tax ($/$ investment)		book value ($/sf/yr)		rentable sqft (square feet)
Arizona	0.0173	x	150,381,563	÷	1,875,487
Colorado	0.0117		442,648,379		5,495,986
Iowa	0.0159		168,447,077		3,086,550
Idaho	0.0105		34,415,839		584,460
Minnesota	0.0285		272,707,833		4,448,703
Montana	0.0250		45,070,485		778,439
North Dakota	0.0099		44,371,282		888,179
Nebraska	0.0037		150,388,246		2,385,721
New Mexico	0.0051		140,287,148		1,273,823
Oregon	0.0123		148,320,952		2,311,264
South Dakota	0.0102		71,917,274		931,387
Utah	0.0095		158,112,922		2,067,856
Washington	0.0067		297,697,508		4,581,069
Wyoming	0.0034		64,895,457		1,010,326
TOTAL RENTABLE SQUARE FOOTAGE					31,719,250

Example calculation for Arizona:

[(0.0173 x 150381563)/1875487] x 1.4 x 1.17 = 2.27 ($/sf/yr)

The values calculated for the property tax rate ($/sf/yr) are found in the following table:

TABLE C

State	property tax rate ($/sf/yr)
Arizona	2.27
Colorado	1.54
Iowa	1.42
Idaho	1.01
Minnesota	2.86
Montana	2.37
North Dakota	0.80
Nebraska	0.38
New Mexico	0.92
Oregon	1.29
South Dakota	1.29
Utah	1.19
Washington	0.71
Wyoming	0.36